

**ANSWERS TO FREQUENTLY ASKED QUESTIONS  
REGARDING THE DEPOSIT GUARANTEE AND RESOLUTION OF  
CREDIT AND OTHER INSTITUTIONS SCHEME («DGS»)**

**1. What is the purpose/objective of the Deposit Guarantee and Resolution of Credit and Other Institutions Scheme («DGS»)?**

The Deposit Guarantee and Resolution of Credit and Other Institutions Scheme (DGS) was established and has been operating since 2000. The purpose/objective of the DGS is (a) to compensate the depositors of credit institutions («CI») which are unable to repay their deposits and (b) the financing of resolution measures to CI.

**2. Does the DGS constitute a separate corporate body?**

Yes, the DGS constitutes a separate public law corporate body.

**3. Who is responsible for the administration of the operations of the DGS?**

For the purposes of the DGS, a five-member Management Committee was established, consisting of staff from the Ministry of Finance and the Central Bank of Cyprus («Central Bank»).

The Governor of the Central Bank is ex officio the Chairman of the Management Committee. The other four members of the Management Committee are appointed by the Central Bank's Governor and include two employees of the Central Bank and two employees of the Ministry of Finance, upon recommendation by the Minister of Finance.

The Central Bank provides administrative and technical support to the DGS, and for this purpose, the DGS administration is performed at the offices of the Central Bank at Nicosia.

**4. Which CI are members of the DGS?**

All credit institutions established in the Republic are members of the DGS, including subsidiaries of credit institutions established in member states of the European Union and third countries, branches of credit institutions from third countries and the Housing Finance Corporation. The list of member CI is available on the website of the Central Bank at the following link:

<https://www.centralbank.cy/images/media/redirectfile/DGS/List%20of%20credit%20institutions%20which%20pay%20contributions%20-%20English.pdf>

**5. Does the DGS cover deposits of branches of credit institutions which have their head office in a European Union («EU») member state?**

The branches of credit institutions which have their head office in a EU member state are not members of the DGS, since they have a mandatory membership in the deposit guarantee scheme of the country in which their head office is located.

**6. What is the source of DGS funds?**

The funds of the DGS mainly originate from contributions of the CI. A programme of contributions has been in place and implemented since March 2020. According to the current contributions' schedule, the CI which are members of the DGS will be requested to pay contributions in 9 instalments during a six month period until 3 July 2024, which is the deadline provided in the Law for reaching the target level of 0,8% of covered deposits.

**7. What is provided for in case the available financial means of the DGS are insufficient for repayment to the depositors of CI?**

The CI shall pay extraordinary ex-post contributions which, however, do not exceed 0,5% of the covered deposits of each CI per calendar year, except in special circumstances and with the prior consent of the Central Bank.

There are, however, alternative sources of DGS funding which may derive from the following:

- (a) loans or other types of support from institutions, financial institutions, or other third parties;
- (b) liquidation of assets or investments.

In the worst case scenario where none of the above sources of funding is sufficient for the collection of the required sums for repayment of the depositors, a provision of the Restructuring of Financial Institutions Law (N.200(I)/2011) is activated, in accordance with which the Council of Ministers may provide financial support through government loans or guarantees or grants to the DGS for the accomplishment of its mission.

**8. Where are the liquid funds of the DGS kept?**

Currently the total liquid funds of the DGS are deposited at the Central Bank. The Management Committee of the DGS, however, may invest part of the funds of the DGS in readily liquefiable and low-risk assets, ensuring the existence of readily available funds and sufficient diversification of the investments, in order not to affect the purposes of the DGS.

**9. Under what conditions is the DGS activated and repayment effected to the depositors of CI?**

The DGS is activated when:

- (i) the Central Bank of Cyprus has established and has informed the Management Committee of the DGS that a CI, for reasons relating to its financial condition, does not appear for the time being able to repay any due and payable deposit and deems that it will not be able to do so in the near future; or
- (ii) an order has been issued by a court of the Republic for special liquidation of the CI pursuant to the Business of Credit Institutions Law, or in case the CI's head office is located outside the Republic, an equivalent order has been issued by a judicial authority of the country where it has its head office.

#### **10. Has the DGS been activated in the past?**

The DGS was activated once and specifically in April 2016 for FBME Bank Ltd – Cyprus Branch (“FBME”). In this case, the DGS made repayments of approximately €83 million to the covered depositors of FBME.

#### **11. For the purposes of the DGS, what is a deposit?**

Deposit means any credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which the CI is required to repay under the legal and contractual conditions applicable, including fixed-term deposits and savings deposits, but excluding a credit balance where:

- (a) its existence can only be proven by financial instruments as defined in the Investment Services and Activities and Regulated Markets Law as amended, unless it is a savings product which is evidenced by a certificate of deposit made out to a named person and which existed on 2 July 2014;
- (b) its principal is not repayable at par, or,
- (c) its principal is only repayable at par under a particular guarantee or agreement provided by the CI or a third party.

#### **12. Are prepaid cards considered deposits?**

The receivable amounts from the credit institution for the issuance of electronic money are not considered as deposits within the meaning of the definition of deposit in the Deposit Guarantee and Resolution of Credit and Other Institutions Scheme Law.

#### **13. Will the repayment of deposits in foreign currencies be done in foreign currency or in euro?**

The repayments in Cyprus are made in euro, irrespective of the currency in which the deposit is maintained.

#### **14. Which deposits are covered by the DGS (i.e. are eligible deposits)?**

The DGS covers deposits, which belong to natural or legal persons, as well as any accrued interest thereon until the maturity date of the deposit or the date the deposit became unavailable, whichever occurred first. All the deposits of natural or legal

persons are considered to be eligible deposits, excluding those which are mentioned in the answer to question 15.

### **15. Which deposits are excluded from coverage by the DGS;**

The following categories of deposits are excluded from any repayment by the DGS:

- (a) deposits made by other CI on their own behalf and for their own account;
- (b) own funds;
- (c) deposits arising out of transactions in connection with which there has been a criminal conviction for money laundering;
- (d) deposits by financial institutions;
- (e) deposits by investment firms;
- (f) deposits the holder of which has never been identified, pursuant to the provisions of the Prevention and Suppression of Money Laundering Activities Law, when these become unavailable;
- (g) deposits by insurance and reinsurance undertakings;
- (h) deposits by collective investment undertakings;
- (i) deposits by pension and retirement funds, with the exception of the funds which are mentioned in the answer to question 16 below;
- (j) deposits by public authorities of which the annual budget exceeds the amount of €500.000;
- (k) debt securities issued by a CI and liabilities arising out of own acceptances and promissory notes.

### **16. Which deposits by provident funds and pension/retirement funds are covered by the DGS?**

The DGS compensates unitholders (beneficiaries) of the deposits of the following provident funds and pension/ retirement funds:

- (i) individual pension schemes; and
- (ii) occupational pension schemes or funds of small or medium-sized enterprises (including collective schemes or Occupational Retirement Benefit funds, in which the members are employees of one and/or more small or medium-sized enterprises) and which, are either registered with the Registrar of Occupational Retirement Benefit Funds, or are categorised in Class VII of Life Insurance via an insurance agreement with an insurance company.

Small or medium-sized enterprises are considered to be the enterprises with less than 250 employees and with annual turnover of less than €50 million or annual balance sheet of less than €43 million.

The share of the deposits of the pension scheme/fund (for example Provident Fund of a small or medium-sized enterprise) which each beneficiary is entitled to, is added

together with any other deposits which the same beneficiary may have at the same CI. For the purposes of calculating the repayable amount, the sum of the deposits at the CI is set-off with any loan instalments or other credit facilities which the depositor maintains at the CI, which have fallen due (see also answer to question 17 below).

**17. For the purposes of calculating the repayable amount, are any loans or liabilities of the depositor towards the CI taken into consideration?**

For the purposes of calculating the total repayable amount, the sums of the deposits at the specific CI are set-off with loan instalments or other credit facilities which may have been granted by the CI to the depositor, provided that these have fallen due. For example, a depositor who has a deposit of €75.000 and a loan instalment of €5.000 which has fallen due, will be repaid by €75.000 minus €5.000, that is €70.000, in case of activation of the DGS.

**18. What is the maximum repayable amount, per depositor and per CI?**

The maximum repayable amount per depositor and per licensed CI, amounts to €100.000, including accrued interest. This amount refers to the total deposits of a depositor held with a particular CI, regardless of the number of accounts, following set-off, already explained in the answer to question 17. It is noted that other deposits of the same person at other CI are not taken into consideration.

**19. What happens to deposit amounts in excess of the coverage limit of €100.000?**

Additional compensation may occur from the proceeds of the liquidation of the credit institution via a liquidator.

**20. What are deposits that serve social purposes? Is additional coverage by the DGS available for these?**

Irrespective of the answer to question 18, some deposits that serve social purposes or deposits resulting from real estate transactions relating to private residential properties and are considered as temporary high balances, are entitled to additional coverage. This additional coverage is up to €300.000 for a period of no longer than 12 months, from the earlier between the date on which the amount was credited or the date on which such deposits become legally transferable to the beneficiary.

«Deposits that serve social purposes» means deposits which arise from any of the following:

- (a) compensations in respect of insurance benefits
- (b) compensations for wrongful conviction
- (c) compensation for criminal injuries
- (d) state benefits in relation to disability or inability
- (e) dismissal
- (f) state or private benefits paid at retirement
- (g) state or private benefits paid in case of death
- (h) compensation in case of death

(i) legacy or other form of distribution of the estate of the deceased.

For example, depositors A and B have a joint account of €30.000. Depositor A sells a private residential property and receives €500.000, which he deposits in the joint account. The balance of the joint account is €530.000. In case of activation of the DGS, the two depositors will receive €100.000 each within 7 working days. Upon request by depositor A, and as long as it is proven that the source of funds is the sale of the private residential property, the joint deposit has an additional coverage limit of €300.000; thus the two depositors will receive €100.000 + €150.000 each.

## 21. What happens if a depositor has more than one deposit accounts at a CI?

All the deposits of the same person at a specific CI are added up together with the share which he/she may be entitled to from deposits by individual or occupational pension schemes and Provident Funds (refer to answer of question 16 above). The total of these deposits is considered as eligible for repayment up to the maximum amount of €100.000, excluding the deposits which belong to the categories mentioned in the answer to question 15.

Example 1: If depositor A has a sight deposit of €20.000 and a fixed-term deposit of €85.000 at the same CI, but no liabilities towards the CI which have fallen due, the eligible amount of deposits is €105.000. The repayable amount that depositor A will receive, in case of activation of the DGS, is €100.000 (€85.000 + €20.000 = €105.000, which exceeds the maximum covered amount of €100.000).

Example 2: If depositor B has a sight deposit of €20.000 and a fixed-term deposit of €85.000 at the same CI and liabilities towards the CI which have fallen due of €3.000, the eligible amount of deposits is €105.000. The repayable amount that depositor B will receive, in case of activation of the DGS, is €100.000 (since €85.000 + €20.000 = €105.000 and €105.000 - €3.000 = €102.000, which is capped to the maximum covered amount of €100.000).

## 22. What happens in cases of joint accounts?

In cases of joint accounts, the share of each depositor in the joint account is regarded as a separate deposit and is summed up with other deposits which the same person has at the specific CI.

In case of repayment, it is considered that a joint account deposit is divided equally among the beneficiaries, unless otherwise stated in the relevant deposit contract.

Example: Depositor A and depositor B have a joint account at a CI with €180.000 and each depositor is entitled to 50% of the balance. Depositor B also has, at the same CI a sight deposit of €20.000. The two depositors do not have any liabilities towards the CI which have fallen due.

Based on the above example, the repayable amounts which the two depositors will receive in case of activation of the DGS are:

Depositor A will receive repayment of €90.000 ( $€180.000 / 2 = €90.000$ ).

Depositor B will receive repayment of €100.000 (the total of the eligible deposits of €110.000 ( $€180.000 / 2 + €20.000$ ), is capped to the maximum covered amount of €100.000).

**23. Are the deposits which a person has in its own name considered to be separate deposits from those deposits which are held in the name of a legal person (company) in which the specific person owns a share or even the whole of the share capital?**

Companies constitute separate legal entities and are independent from their shareholders. The legal persons are entitled to receive separate repayment, like every natural person (up to the maximum covered amount of €100.000 and after the set-off which is described in the answer to question 17), provided that the deposits are not included in the categories excluded from the DGS coverage, as these are mentioned in the answer to question 15.

**24. In case of client accounts what is the deposit coverage by the DGS?**

According to the current legislation, «client account» means the account of which the absolutely entitled beneficiaries are persons other than those holding the account in their name and the said account is maintained on behalf of the persons absolutely entitled to the funds deposited in the account. Each holder of a client account shall obtain and maintain sufficient, accurate and updated information in relation to the persons that are absolutely entitled to the amounts of the client account, and shall provide such information to the CI and/or the Management Committee of the DGS, within 7 working days from the date that such information is requested.

The DGS compensates the absolutely entitled beneficiaries up to the maximum amount of €100.000 per person, per CI, according to the principles mentioned above. In case where a beneficiary of a client account, also has a personal deposit, then his/her share from the client account and his/her personal deposit are summed up. The repayable amount which will be paid in case of activation of the DGS is capped to the maximum covered amount of €100.000.

**25. Within what time period is the repayment by the DGS made?**

The DGS has the relevant repayable amount available within seven (7) working days from the date on which the deposits became unavailable.

**26. In case of activation of the DGS, can the liquid funds of a CI which is unable to repay the depositors be used?**

«Liquid funds» means the cash and deposits of a CI in other financial institutions, including the Central Bank. The liquid funds of a CI are used immediately for the repayment of its covered deposits, until the balance of the liquid funds is reduced to double the estimated total amount of claims that have priority against covered deposits

in normal insolvency proceedings. In case the liquid funds of a CI are not sufficient to repay all covered deposits, the DGS repays the covered deposits not repaid.

**27. Is there a time limit within which depositors can apply for the relevant repayment by the DGS?**

Depositors can claim the repayment of their deposits within two (2) years from the date on which the said deposits become unavailable.

**28. How can I be informed of an activation of the DGS and what should I do?**

In case of activation of the DGS there will be announcements of the Management Committee of the DGS in journals of wide national circulation and on the website of the Central Bank, where all procedures that depositors must follow in order to receive their repayment, will be described in detail.

**29. Where can I find additional information, including the legal framework of the DGS and its operation?**

Each CI which is a member of the DGS, has a legal obligation to provide sufficient information regarding the DGS to its actual and intending depositors. For example, the maximum coverage level, the deposit guarantee scheme in which the CI is a member, the categories of deposits excluded from DGS coverage etc. The CI is also obliged to provide the aforementioned information via an informative leaflet which is either transmitted in physical form at least annually together with the statement of the account or is posted on the CI's website via a relevant link to the internet banking portal.

Additional information which includes, among others, the legal framework of the DGS, the CI which are excluded from payment of the contribution, the methodology for the calculation of contributions etc., is available via the following link on the website of the Central Bank:

<https://www.centralbank.cy/en/deposit-guarantee-investors-compensation-schemes/deposit-guarantee-and-resolution-of-credit-and-other-institutions-scheme>

Depositors may also address any other additional enquiries either via telephone at **22714100** or via electronic mail at [dps@centralbank.cy](mailto:dps@centralbank.cy) .